

Ms. Carol Kroboth, Director of Reimbursement
HP Operations Group, Inc.
950 Northpoint Parkway
Suite 100
Alpharetta, Georgia 30005-4134

Re: AC# 3-HPW-J8 – HP Operations Group, Inc. d/b/a
Hopewell Health Care Center

Dear Ms. Kroboth:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period December 1, 1997 through September 30, 1998. That report was used to set the rate covering the contract period beginning October 1, 1999.

We are recommending that the Department of Health and Human Services certify an accounts payable for amounts underpaid as a result of the rate change shown on Exhibit A. You will be notified of settlement terms by that agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/kss

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Robert M. Kerr

Ms. Carol Kroboth, Director of Reimbursement
HP Operations Group, Inc.
950 Northpoint Parkway
Suite 100
Alpharetta, Georgia 30005-4134

Re: Draft Report - AC# 3-HPW-J8 – HP Operations Group, Inc. d/b/a
Hopewell Health Care Center

Dear Ms. Kroboth:

The accompanying draft report has been prepared by our office. Please review the adjustments as presented.

If you have any questions concerning this report and would like a formal exit conference with the auditors, please write to Ms. Cathy A. Crumpler, CPA, regarding the establishment of a meeting date. Your correspondence should include the above referenced control number. Your request for a conference must be made within ten (10) calendar days of your receipt of this report, and the conference must be held within twenty (20) calendar days of your receipt of this report. Any additional documentation in support of allowable cost must be received by our office no later than twenty (20) calendar days after your receipt of this report.

If we do not hear from you within ten (10) calendar days of your receipt of this report, we will assume you do not want an exit conference. In this case, I will reissue this report to you in final form and you will have thirty (30) calendar days in which to file a formal appeal if you so desire.

Yours very truly,

Thomas L. Wagner, CPA
State Auditor

TLWjr/kss

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Robert M. Kerr

Ms. Brenda L. Hyleman, Director
Division of Home Health and Nursing Home Services
Department of Health and Human Services
Post Office Box 8206
Columbia, South Carolina 29202-8206

Re: Draft Report - AC# 3-HPW-J8 – HP Operations Group, Inc. d/b/a
Hopewell Health Care Center

Dear Ms. Hyleman:

Please review the adjustments contained in the accompanying draft report. If you have any comments or disagreements with the adjustments and resulting computations, please contact Ms. Cathy A. Crumpler, CPA, within ten (10) calendar days.

Use of the above referenced control number is requested on any subsequent correspondence pertaining to this report.

If you do not have any comments, it will be assumed you are in agreement with the report and only those concerns of the Provider, if any, will be considered prior to the issuance of the final report.

Yours very truly,

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/kss

cc: Mr. Jeff Saxon
Mr. Robert M. Kerr

**HP OPERATIONS GROUP, INC. D/B/A
HOPEWELL HEALTH CARE CENTER**

SUMTER, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 1999
AC# 3-HPW-J8**

**REPORT ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

March 17, 2000

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with HP Operations Group, Inc. d/b/a Hopewell Health Care Center, for the contract period beginning October 1, 1999, and for the ten month cost report period ended September 30, 1998, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with the standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by HP Operations Group, Inc. d/b/a Hopewell Health Care Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and HP Operations Group, Inc. d/b/a Hopewell Health Care Center dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
March 17, 2000

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Thomas L. Wagner, Jr., CPA
State Auditor

HP OPERATIONS GROUP, INC. D/B/A HOPEWELL HEALTH CARE CENTER

Computation of Rate Change
For the Contract Period
Beginning October 1, 1999
AC# 3-HPW-J8

Adjusted Reimbursement Rate	\$79.49
Interim Reimbursement Rate (1)	<u>77.70</u>
Increase in Reimbursement Rate	\$ <u>1.79</u>

- (1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 3, 1999

HP OPERATIONS GROUP, INC. D/B/A HOPEWELL HEALTH CARE CENTER

Computation of Adjusted Reimbursement Rate
 For the Contract Period Beginning October 1, 1999
 AC# 3-HPW-J8

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$32.59	\$40.97	
Dietary		8.27	10.24	
Laundry/Housekeeping/Maint.		<u>8.60</u>	<u>8.89</u>	
Subtotal	<u>\$4.21</u>	49.46	60.10	\$49.46
Administration & Med. Rec.	<u>\$1.15</u>	<u>10.24</u>	<u>11.39</u>	<u>10.24</u>
Subtotal		59.70	<u>\$71.49</u>	59.70
<u>Costs Not Subject to Standards:</u>				
Utilities		2.05		2.05
Special Services		.18		.18
Medical Supplies & Oxygen		5.29		5.29
Taxes and Insurance		1.16		1.16
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$68.38</u>		68.38
Inflation Factor (3.00%)				2.05
Cost of Capital				7.25
Cost of Capital Limitation				(1.23)
Profit Incentive (Max. 3.5% of Allowable Cost)				1.15
Cost Incentive				4.21
Effect of \$1.75 Cap on Cost/Profit Incentives				(3.61)
CNA Add-On				.75
Nurse Aid Staffing Add-On				<u>.54</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$79.49</u>

HP OPERATIONS GROUP, INC. D/B/A HOPEWELL HEALTH CARE CENTER

Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1998
AC# 3-HPW-J8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
General Services	\$ 922,605	\$ -	\$ -	\$ 922,605
Dietary	234,206	-	-	234,206
Laundry	71,757	-	-	71,757
Housekeeping	104,672	-	-	104,672
Maintenance	66,595	559 (4)	-	67,154
Administration & Medical Records	242,391	63,884 (4)	8,723 (2) 7,595 (3)	289,957
Utilities	58,033	18 (4)	-	58,051
Special Services	5,105	-	-	5,105
Medical Supplies & Oxygen	149,680	-	-	149,680
Taxes & Insurance	31,805	973 (4)	-	32,778
Legal Fees	-	-	-	-
Cost of Capital	197,536	1,474 (4) <u>21,558 (5)</u>	15,208 (1)	205,360
Subtotal	2,084,385	88,466	31,526	2,141,325

HP OPERATIONS GROUP, INC. D/B/A HOPEWELL HEALTH CARE CENTER

Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1998
AC# 3-HPW-J8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		Adjusted <u>Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Ancillary	-	-	-	-
Non-Allowable	78,209	15,208 (1) 8,723 (2) <u>7,595 (3)</u>	66,908 (4) 21,558 (5) <u></u>	21,269 <u></u>
Total Operating Expenses	<u>\$2,162,594</u>	<u>\$119,992</u>	<u>\$119,992</u>	<u>\$2,162,594</u>
TOTAL PATIENT DAYS	<u>28,308</u>	<u>-</u>	<u>-</u>	<u>28,308</u>

TOTAL BEDS 96

HP OPERATIONS GROUP, INC. D/B/A HOPEWELL HEALTH CARE CENTER

Adjustment Report

For the Cost Report Period Ended September 30, 1998

AC# 3-HPW-J8

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$ 203,411	
	Fixed Assets	1,013,320	
	Nonallowable	15,208	
	Other Equity		\$1,216,731
	Cost of Capital - Depreciation Expense		15,208
	To adjust fixed assets and depreciation expense HIM-15-1, Section 100 State Plan, Attachment 4.19D		
2	Nonallowable	8,723	
	Administration		8,723
	To adjust working capital interest HIM-15-1, Section 218		
3	Nonallowable	7,595	
	Administration		7,595
	To adjust administrator salary HIM-15-1, Section 2304		
4	Maintenance	559	
	Administration	63,884	
	Utilities	18	
	Taxes and Insurance	973	
	Cost of Capital	1,474	
	Nonallowable		66,908
	To adjust home office allocation HIM-15-1, Sections 2150 and 2304 State Plan, Attachment 4.19D		
5	Cost of Capital	21,558	
	Nonallowable		21,558
	To adjust capital return State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	Total Adjustments	<u>\$1,336,723</u>	<u>\$1,336,723</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

HP OPERATIONS GROUP, INC. D/B/A HOPEWELL HEALTH CARE CENTER

Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1998
AC# 3-HPW-J8

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.2493</u>
Deemed Asset Value (Per Bed)	35,130
Number of Beds	<u>96</u>
Deemed Asset Value	3,372,480
Improvements Since 1981	557,126
Accumulated Depreciation at 9/30/98	<u>(667,351)</u>
Deemed Depreciated Value	3,262,255
Market Rate of Return	<u>.063</u>
Total Annual Return	205,522
Number of Days in Period	<u>304/365</u>
Adjusted Annual Return	171,173
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Rent and Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	171,173
Depreciation Expense	33,760
Amortization Expense	427
Capital Related Income Offsets	-
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	205,360
Total Patient Days (Minimum 97% Occupancy)	<u>28,308</u>
Cost of Capital Per Diem	\$ <u><u>7.25</u></u>

HP OPERATIONS GROUP, INC. D/B/A HOPEWELL HEALTH CARE CENTER

Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1998
AC# 3-HPW-J8

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$ 2.03
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	\$ <u>6.02</u>
Reimbursable Cost of Capital Per Diem	\$ 6.02
Cost of Capital Per Diem	<u>7.25</u>
Cost of Capital Per Diem Limitation	\$(<u>1.23</u>)